

Every session the Legislature considers a variety of bills dealing with individual income taxes, natural resource taxes, property taxes, and other taxes. These bills may deal with complex matters that may be decided more on persuasion than on solid analysis. The House Taxation Committee believes that the Legislature would be well served by having at its disposal good information on which to base tax policy decisions.

In particular, the House Taxation Committee requests that the Revenue and Transportation Interim Committee consider undertaking an analysis of the individual income tax, natural resource taxes, and property reappraisal during the 2009-10 interim.

The purpose of the analyses would be to develop a general understanding of how the each of these taxes operates and how they fit within the state's overall tax policy.

The complexities of the federal individual income tax are further exacerbated by the complexities of the state's own exclusions, exemptions, deductions, credits, and filing statuses. Tax benefits are frequently enacted to encourage a desired behavior or to provide relief to a particular class of taxpayer. However, the Legislature does not routinely evaluate whether these provisions achieve their intended goal. One aspect of the Revenue and Transportation Committee's undertaking should include an evaluation of these provisions.

Natural resource tax policy is often decided on the perception of how Montana compares with other states. However, the comparisons may not always be based on complete information. Policy debates would be better informed by more in-depth analysis on how other states tax natural resource production activities.

These taxes should be examined in terms of fairness, efficiency, stability, and accountability. A significant portion of the analysis should include interstate comparisons. The House Taxation Committee believes this type of analysis should be an ongoing activity of the Revenue and Transportation Committee. The information developed this interim could be updated and revised as the Committee considers necessary. In addition, other major taxes should also be examined in the future. This effort is particularly important in light of legislative term limits.

Every six years, the Legislature finds itself in the uncomfortable position of dealing with property reappraisal. House Bill No. 658 provides for the monitoring the effects of reappraisal and for looking at property mitigation strategies. Again, the House Taxation Committee believes that the review of property reappraisal should be an ongoing activity of the Revenue and Transportation Committee. By doing, so the Legislature would be better prepared to deal with this controversial matter.

Finally, one problem states face is the so-called tax gap, or the difference between tax liability and tax payments. The extent to which the tax gap exists imposes additional tax burdens on other taxpayers. Although getting a handle on the tax gap in Montana would be a difficult undertaking, the House Taxation Committee requests that the Revenue and Transportation Committee also consider this topic.

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The House Taxation Committee realizes the Revenue and Transportation Committee has a significant number of responsibilities during the interim, but our committee believes that any time you can devote to these issues would improve tax policy decisions. We hope you can include one or more of these requests in your interim work plan.